

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1447-01
Bill No.: HB 547
Subject: Insurance - Medical; Insurance Dept.
Type: Original
Date: April 18, 2011

Bill Summary: Requires a health insurance rate review by the Department of Insurance, Financial Institutions, and Professional Registration for any significant rate increase proposed by a health carrier.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Insurance Dedicated	(\$69,634)	(\$62,643)	(\$64,218)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$69,634)	(\$62,643)	(\$64,218)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Insurance Dedicated	1.5	1.5	1.5
Total Estimated Net Effect on FTE	1.5	1.5	1.5

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Transportation, Missouri Consolidated Health Care Plan** and **Missouri Department of Conservation** assume the proposal would have no fiscal impact on their agency.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state the proposal requires independent rate filings any time rates change for an existing policy form, including each separate rider/amendment. The proposal applies to all forms of health insurance, not just major medical. In 2009 (the most recent data available), 440 companies reported some kind of health insurance activity (including 15 non-Medicaid HMOs). Other states that the DIFP has contacted regarding rate review have indicated that rates could be changed and rate filings received up to quarterly per company. Therefore, 440 companies x \$50 filing fee x 4 = \$88,000 annually in form filing fees to the Insurance Dedicated Fund.

The DIFP will need an additional 0.50 FTE Actuary and one (1) Insurance Product Analyst for policy review, review of rates for actuarial soundness and departmental web site accuracy. The DIFP estimates net FY 12 costs of \$46,744; FY 13 costs of \$64,132; and FY 14 costs of \$65,744.

Oversight notes the proposal has an emergency clause and has adjusted DIFP's FY 12 costs to 12 months for 1.5 FTE.

<u>FISCAL IMPACT - State Government</u>	FY 2012	FY 2013	FY 2014
INSURANCE DEDICATED FUND			
<u>Income - DIFP</u>			
Form filing fees	\$88,000	\$88,000	\$88,000
<u>Costs - DIFP</u>			
Personal service (1.5 FTE)	(\$94,968)	(\$95,918)	(\$96,877)
Fringe benefits	(\$49,706)	(\$50,203)	(\$50,705)
Equipment and expense	<u>(\$12,960)</u>	<u>(\$4,522)</u>	<u>(\$4,636)</u>
Total <u>Costs</u> - DIFP	(\$157,634)	(\$150,643)	(\$152,218)
FTE Change - DIFP	1.5 FTE	1.5 FTE	1.5 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$69,634)</u>	<u>(\$62,643)</u>	<u>(\$64,218)</u>
Estimated Net FTE Change for Insurance Dedicated Fund	1.5 FTE	1.5 FTE	1.5 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2012	 FY 2013	 FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Beginning July 1, 2011, all health carriers must include a rate filing with any report, certificate of authority application, or health benefit plan submitted for approval to the Department of Insurance, Financial Institutions and Professional Registration unless the health benefit plan form does not require a change in a rate. The rate filing must include an explanation of the actuarial basis for the rate and a certification from a qualified actuary stating that to the best of the actuary's knowledge the rate filing is in compliance with all state laws and regulations and that the benefits are reasonable in relation to the rates.

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FISCAL DESCRIPTION (continued)

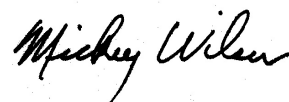
Rate revision filings for previously approved health insurance policies must include a statement of the reason for the revision and an estimate of the expected average effect on premiums, what business the filing applies to, a history of the experience under existing rates, and the date and magnitude of each previous rate change if any. A health carrier must maintain records of earned premiums and incurred benefits for each calendar year for each policy form. Experience data will be assessed for credibility and appropriateness based on the statistical credibility of premiums and benefits, experienced and projected trends relative to the kind of coverage, preliminary term reserves and loss ratios, and mix of business by risk classification. When a health carrier files a significant rate increase for approval by the department, the carrier must notify in writing all affected enrollees of the proposed rate increase. Upon receipt of a significant rate increase filing, the department director must hold a public hearing within 30 days after the department receives the filing to discuss the rate increase and to allow public testimony from proponents and opponents of the rate increase. The department director must consider the public testimony when determining whether to approve or disapprove the rate increase and decide whether to approve the rate within 20 days of the public hearing. A health carrier can appeal a decision of the department director to prohibit the proposed rate as specified in Chapter 536, RSMo.

The bill contains an emergency clause

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions, and Professional Registration
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Office of Secretary of State



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